

D.P.U. 96-1-CC

Investigation by the Department of Public Utilities, on its own motion, into Boston Edison Company's conservation charges, and the various components of those charges, including but not limited to the Company's Demand-Side Management ("DSM") Program monitoring and evaluation reports.

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Limited Participant

INTERIM ORDER ON COMPANY'S MOTION TO DEFER FILING
1996 CONSERVATION CHARGE

I. INTRODUCTION

On June 30, 1995, Boston Edison Company ("BECo" or "Company") filed with the Department of Public Utilities ("Department") its 1993 & 1994 Demand-Side Management ("DSM") Program Reconciliation Report ("Reconciliation Report") and supporting monitoring and evaluation ("M&E") reports. The M&E reports contained in the Reconciliation Report form the basis for evaluating and calculating any kilowatt ("KW") and kilowatthour ("KWH") savings that may result from the implementation of the Company's DSM programs. Approved KW and KWH savings estimates serve as inputs to any DSM incentive payments, lost base revenue recovery and effects of past and present DSM amortization that the Company may seek to recover through its Conservation Charge ("CC"). Thereafter, the Company was expected to file CC rates which would have become effective on February 1, 1996. The matter was docketed as D.P.U. 96-1-CC.

The Attorney General of the Commonwealth ("Attorney General") intervened as of right in this proceeding pursuant to G.L. c. 164, § 11E. Eastern Edison Company petitioned for, and was granted leave to participate in this proceeding as a limited participant with the right to receive copies of all submissions in the proceeding, attend all conferences and hearings, and to file briefs.

On October 16, 1995, the Company filed a Motion to Defer Filing of 1996 Conservation Charge ("Motion"). The Attorney General filed a response to the Company's Motion on October 27, 1995 ("Attorney General Response"). The Company filed a response to the Attorney General Response on October 30, 1995 ("Company Response").

On November 2, 1995, the Department issued four information requests to the Company

concerning the Company's request to defer filing 1996 CC rates. The Company provided the Department with initial responses on November 16, 1995, and revised responses on December 5, 1995. These responses to the information requests are included in the record of this proceeding as Exhibits DPU-2-1, DPU-2-2, DPU-2-3, and DPU-2-4.

II. THE COMPANY'S MOTION

The Company proposes to defer the filing of its 1996 CC rates until (1) the Department issues its order on the Company's DSM M&E activities, and (2) the results of the Company's DSM Request for Proposals ("RFP")¹ are known (Motion at 1-2). The Company states that it seeks to avoid having its CC rates change twice during 1996 -- once on February 1, 1996, consistent with Boston Edison Company, D.P.U. 95-1-CC (1995), the Company's 1995 CC proceeding,² and again when the results of the DSM RFP are known (id. at 2). The Company proposes that its current CC rates remain in effect until such time as the Department approves the Company's 1996 CC rates.

The Company currently projects a CC overrecovery of approximately \$8.3 million through January 31, 1996 (Exh. DPU-2-1, Revised). The Company further projects that, if its CC rates were to remain at current levels through April 30, 1996, it would overrecover an additional \$5.8 million for the period February 1, 1996 through April 30, 1996 (Exh. DPU-2-2, Revised).³

¹ The Company issued its DSM RFP on August 4, 1995, pursuant to the Department's Order in BECo's Integrated Resource Management proceeding, Boston Edison Company, D.P.U. 94-49 (1995). Programs selected through the DSM RFP will be implemented during 1996 and 1997.

² In D.P.U. 95-1-CC, the Department approved CC rates for BECo that were to be effective through January 31, 1996.

Thus, if the Department were to approve the Company's proposal to keep its CC rates at current levels, the Company would overrecover approximately \$14 million through April 30, 1996.⁴

The Attorney General states that, even though he does not oppose the Motion, he recommends that the CC rate for BECo's residential customers be decreased on February 1, 1996 from its current level of 0.517 cents/KWH to 0.476 cents/KWH (Attorney General Response at 1). The Attorney General states that the current CC rate of 0.517 cents/KWH was implemented on May 1, 1995 to address an underrecovery that occurred during the first months of 1995 (id.).⁵ The Attorney General states that a residential CC rate of 0.476 cents/KWH should be put into effect on February 1, 1996 because it represents the rate that would have been in effect during 1995 absent the underrecovery (i.e., the rate that is calculated by dividing total 1995 projected DSM expenditures by forecasted 1995 KWH sales) (id.).

The Company opposes the Attorney General's recommendation, asserting that the "confusion" that would result from having the residential CC rate change twice within a short time period is sufficient reason for the Department to allow the current CC rate to remain in effect past February 1, 1996 (Company Response).

³ The Company calculated the \$5.8 million overrecovery by comparing the revenue that would be collected through the current CC rates to the revenue that would be collected through CC rates that are calculated to recover BECo's DSM revenue requirements for the twelve-month period February 1, 1996 through January 31, 1997, minus the overrecovery projected through January 31, 1996 (Exhs. DPU-2-1, Revised, DPU-2-2, Revised).

⁴ The Department notes that all such overrecoveries are fully reconcilable.

⁵ The Attorney General states that the overrecovery resulted from the use of a residential CC rate of 0.351 cents/KWH for the months February 1995 through April 1995 (Attorney General Response at 1).

III. ANALYSIS AND FINDINGS

In principle, the Company's proposal is consistent with the Department's oft-stated goal of promoting rate continuity. See, e.g., Massachusetts Electric Company, D.P.U. 95-40, at 143-144 (1995). However, in this instance, the Department finds that the benefits of rate continuity are outweighed by the magnitude of the overrecovery (approximately \$14 million) that the Company would receive if its current CC rates were to remain in effect through April 30, 1996. The Department finds that the Company's ratepayers would be best served by implementing CC rates on February 1, 1996 that are calculated to return to ratepayers, over the twelve-month period February 1, 1996 through January 31, 1997, the overrecovery projected through January 31, 1996.

Therefore, the Department rejects the Motion. The Company is directed to implement CC rates on February 1, 1996 that are calculated to recover BECo's projected DSM revenue requirements for the twelve-month period February 1, 1996 through January 31, 1997, minus the overrecovery projected through January 31, 1996.⁶ The Company shall submit these CC rates for Department approval within seven days of the issuance of this Order.

The Company is additionally directed to calculate, and submit for Department review, further revised 1996 CC rates that reflect the results of the DSM RFP and the Department's investigation into the Company's 1993 and 1994 DSM monitoring and evaluation activities, when such results are known. At that time, the Department will determine when the further revised

⁶ The Company submitted CC rates calculated in this manner in its response to the Department's Information Request DPU-2-1, Revised. The Company should update these CC rates to include the most current data available.

1996 CC rates should be implemented.

Finally, the Company is directed to maintain its ongoing DSM programs until such time as the DSM RFP programs are fully implemented.

IV. ORDER

After due consideration, it is hereby

ORDERED: That Boston Edison Company calculate 1996 CC rates based on its projected DSM revenue requirements for the twelve-month period February 1, 1996 through January 31, 1997, minus the overrecovery projected through January 31, 1996; and it is

FURTHER ORDERED: That Boston Edison Company submit the 1996 CC rates for Department approval within seven days of the issuance of this Order; and it is

FURTHER ORDERED: That Boston Edison Company submit further revised 1996 CC rates that reflect the results of the DSM RFP and the Department's investigation into the Company's 1993 and 1994 DSM monitoring and evaluation activities, when such results are known; and it is

FURTHER ORDERED: That Boston Edison Company maintain its ongoing DSM programs until such time that the DSM RFP programs are fully implemented.

By Order of the Department,

John B. Howe, Chairman

Mary Clark Webster, Commissioner

Janet Gail Besser, Commissioner